More dollars for doctors won’t improve access to health care

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Contributed to The Globe and Mail
Published Tuesday, Dec. 17 2013, 10:09 AM EST
Last updated Tuesday, Dec. 17 2013, 10:12 AM EST

The amount paid to doctors in Canada increased by $7.5-billion in the last five years to reach a total of more than $30-billion a year. Put another way, the growth rate of physician remuneration expenditures – what our health system pays to doctors for health services – was more than twice the rate at which the Canadian economy grew over the same period (around 6.4 per cent per year).

No one would argue that this is a lot of money in itself, and a growing proportion of our collective wealth. At the same time, every new report on our health care system, including from the Commonwealth Fund, the Health Council of Canada and the College of Family Physicians of Canada, continues to highlight what little progress has been made regarding the accessibility of health care.

So what’s going on here? We invest ever-growing sums in physician remuneration without noticing much improvement in the availability of medical visits and procedures. How can this be the case?

In a new study in Healthcare Policy published this week, we used the latest available data from Quebec to analyze the evolution of medical services costs and volumes of care over five years (from 2007 to 2011) to gain a better understanding of the relationship between physician fees and availability of care. The results prompt some important policy
In 2007, after bitter negotiations between physician federations and the Quebec government, agreements were signed to significantly increase fee schedules. Over the following five years the average cost per service rose by 25 per cent for family doctors and 32 per cent for specialists (the term service describes all medical care provided, such as visits, procedures and tests). At the same time, the number of physicians per capita grew by 8 per cent to reach an unprecedented number of physicians in the province.

These two trends combined increased medical compensation expenditures in Quebec by $1.5-billion over five years. After controlling for inflation, these investments translate into average net income increases of 15 per cent for family doctors and 25 per cent for specialists. As these are inflation-controlled figures, these are real increases in purchasing power.

What’s interesting, however, is that during this same period, the average number of specialized service visits per inhabitant stagnated, and the average number of family medicine service visits per person actually dropped by 5 per cent. The average number of services provided by each physician also dropped by 5 per cent for specialists and 7 per cent for family doctors.

In other words, the net impact of investing an additional $1.5-billion dollars – no small sum – in physician remuneration was either a stagnation or reduction in the volume of services provided to the population. Moreover, the decrease in the average volume of services per physician offsets most or all of the increases in the overall number of physicians. What should have been two steps forward was more like one step back, but at great cost to the public purse.

Unfortunately, this result is not surprising. In fact, it is highly convergent with what is known in economics as the “target income hypothesis.” This hypothesis posits that people aim for a given level of income and will adjust their work load to reach it. This implies, among other things, that when the rate paid for a given amount of work increases, workers might choose to work less rather than to increase their revenues.

What our study shows is that as the unit price of services rose, physicians – who are overwhelmingly self-employed entrepreneurs – adjusted their work practice to improve their quality of life instead of opting to earn more.

End result: Quebecers did not see an improvement in health service availability despite a sizeable new investment in health care.

Some believe that physicians deserve to be paid more, while others oppose transferring additional public funds to the society’s wealthiest.
This is a moral debate. What we’d like to emphasize instead is the failure of the policy goal. If the current investments in physician compensation was intended to improve the accessibility of medical care, then the data from Quebec show that this was a policy failure. Not only was there no improvement, but the problem actually worsened.

In Quebec, it appears we are investing more money to pay more physicians to get less care.

Few – if anyone at all – know the real effects of recent major investments in physician compensation in the other provinces across the country. It is time that these investments are monitored, analysed and publicly debated. Throwing money at a problem, is not always a solution.

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